



**City of San Diego  
Independent Rates Oversight Committee (IROC)**

**AGENDA**

**Monday, May 11, 2009**

**10:00 am – 12:00 pm**

**Metropolitan Operations Complex, Auditorium**

**9192 Topaz Way**

**San Diego, CA 92123**

<b>†ACTION REQUESTED</b>		<b>ITEM</b>	<b>PRESENTER</b>	<b>EST. TIME</b>
	1	<b>Roll Call</b>		<i>Items 1-3</i> 5 Min.
	2	Non-Agenda Public Comment*		
X	3	Approval of Minutes from 4/13/09		
	4	Chair Updates	Don Billings	5 Min.
	5	City Staff Updates	Department Staff	10 Min.
	6	American Recovery and Reinvestment Act Update	Brent Eidson	10 Min.
	7	Quarterly Budget Review	Tammy Rimes	20 Min.
X	8	Lake Murray Trunk Sewer	Hung Huynh/Dan Tittle	10 Min.
X	9	Nominations for Chairperson and Vice Chairperson of IROC	Don Billings	10 Min.
	10	<u>Committee Reports:</u> a. Finance	Don Billings	5 Min.
		b. Environmental & Technical	Jim Peugh	5 Min.
		c. Public Outreach, Education & Customer Service	Gail Welch	5 Min.
	11	Metro/JPA Report Out	Don Billings	5 Min.
		<b>BREAK</b>		5 Min.
	12	Water Department's Preliminary Official Statement and Feasibility Study	Rod Greek	15 Min.
	13	Proposed Agenda Items for Next IROC Meeting of June 8, 2009		5 Min.
	14	IROC Members' Comments		5 Min.

\* This portion of the agenda provides an opportunity for members of the public to address the Commission. Comments are limited to three (3) minutes per individual. Please complete a Speaker's Slip in advance of the start of the meeting and give it to the IROC assistant. For alternative format or disabled accommodations, please call Monica Musaraca at (858) 292-6305.

† Action may be taken by the Committee on items listed on this agenda, whether or not the item is marked as "action requested."

# ITEM 3

Independent Rates Oversight Committee – IROC  
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**DRAFT MINUTES**

**1. Roll Call**

Chairperson Billings called the meeting to order at 10:01 a.m. Monica Musaraca called the roll and a quorum was declared. Attendance is reflected below:

Member	Present	Absent
Donald Billings, Chair	X	
Linda Cocking	X	
Christopher Dull		X
Jack Kubota	X	
Barry Newman	X	
Jim Peugh	X	
Charles Richardson	X	
Irene Stallard-Rodriguez	X	
Todd Webster	X	
Gail Welch	X	
ExOfficios		
Scott Tulloch		X
Augie Caires, Alternate ( <i>for Scott Tulloch</i> )	X	
Ken Williams	X	

**2. Non-Agenda Public Comment**

No non-agenda public comments.

**3. Approval of Minutes from 3/9/09**

Chairperson Billings asked for a motion to approve the Minutes from March 9, 2009. Committee Member Newman moved, Committee Member Cocking seconded, with Committee Member Dull absent and one abstention, the Minutes were unanimously approved.

**4. Chair Updates – Don Billings**

- According the IROC By-laws, IROC should elect a Chairperson and Vice Chairperson next meeting. He asked if anyone is interested or would like to nominate another member, it will be on the Agenda next meeting.
- With the resignations of Committee Members Cocking and Richardson, he expressed his regrets of their inability to renew their continuation to serve on the IROC. He commended them for their valuable contributions to the IROC. He mentioned other members have terms expiring next month, and stated some of the members have contacted him and wish to continue to serve. Ernie Linares added Lisa Gordon from the Mayors Office will be in touch with the individuals that have terms expiring, to seek their interest in continuing to serve. If not, replacements will be sought and will then go to City Council for approval.

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- MWWD facilities have been visited throughout the past year, and now the IROC can look forward to visiting the Water Department facilities.

**5. City Staff Updates**

Water Department, Bob Ferrier for Alex Ruiz

- Water supply evaluations are still in progress at the whole sale level. It is anticipated a 10% reduction, as much as 20% from MWWD. Water Department staff will recommend the implementation of the Level 2 (behavior modification) Drought Alert, however, the Allocation Methodology is still needed to be in place. He mentioned Mr. Barrett is at the MET today, and a final decision should be made this week.
- Water Operations and City Attorney's office are in discussion with Santa Fe and San Diego Irrigation District regarding the operation of Lake Hodges in regard to historic storage rights in the lake itself. This is related to an emergency storage project proposed by CWA.
- Also in discussion with SDGE is the Sunrise Power Link project, crossing some Water Department properties. The work will be coordinated with Real Estate Assets.
- Consolidation still ongoing with both Water and MWWD. It is anticipated the activities involved will be complete by later Summer, early Fall so any consolidations or efficiencies can be reflected in the 2011 Budget.

MWWD, Bob Ferrier

- Going to Council today for issuance of the Bonds. This process is going well. The schedule still calls for pricing and sale of Bonds in May.
- Waiver process still on-going and in same state as last update. Anticipated final approval from USEPA in the July time frame.

Chairperson Billings asked for an update on the "boil water" order that was given in Carmel Valley recently. Mr. Ferrier he believes it was a 24" ductile iron pipe that blew out. When pressure drops in a significant event like this, there are concerns about a siphoning effect, for example, contaminants can be reintroduced into the water system by virtue of that pressure drop because there is not backflow protection on most residences. He said he does not recall any findings or problems, but the "boil water" order is a precautionary measure until determined. This particular line was isolated and quickly repaired.

Committee Member Peugh asked for more information on the pipe break itself. Mr. Ferrier stated he does not have specific details and will get back to Mr. Peugh. However, he believes the pipe itself did not break, it appeared to be at the joint. The pipe may have had some movement and deflected slightly, causing the rubber gasket to fail, which would cause the pipe to move sideways. It does not appear to be a failure of the pipe section itself, as opposed to the joint itself.

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Chairperson Billings asked if the City is exposed to litigation risk on the part of businesses having to lose time because of this. Mr. Ferrier referred to Tom Zeleny, Deputy City Attorney, on the legal exposure. Mr. Zeleny stated no. Under the government code, municipality law suits can only occur under certain given circumstances. With the limited circumstance, this type of instance is not one of them.

**6. Water Allocation Plan Update**

This item was postponed and heard following Item #13 to accommodate having Alex Ruiz present for the item. Mr. Ruiz stated a lot has been going on in regard to water allocations. He mentioned he did supply IROC with a memo from Jim Barrett to the Mayor and Councilwoman Frye, Chair of NR&C Committee. He stated in regard to that, MWD will be making a decision today and tomorrow regarding the allocations to Southern California. Jim is there now, and heads the Committee which will be there at 1:30 today. He stated it is likely that MWD will raise their response level to Level 2, which does not line up with CWA nor the City of San Diego's Level 2 Drought Alert. This means they expect up to a 10% reduction in supply. This will be passed to CWA and on April 23, they will determine what the impact will be for its member agencies. He believes it will be somewhere between 6-10%. With this low level of reduction, he stated, it is unlikely that allocation penalty rates will have to be implemented, but we still want to be prepared and go through with the allocation methodology. The reductions that will be required to hit targets, will likely be achieved through the implementation of a Level 2 Drought Alert to implement mandatory behavior restrictions.

With regard to implementation, we are asking for Council to approve the methodology that would be put in place at a separate time in the future. This would require a separate recommendation by the Mayor and a separate action by Council to implement that methodology. He then briefly went through the methodology criteria. He then mentioned all of the meetings, public outreach, communication through website and customer workshops that have taken place recently in regard to how the methodology should be structured.

Mr. Ruiz briefly described calculating allocation. With regard to the allocation amount, once the calculated figure was derived for customers, which is seasonally adjusted for every billing period, customers will have an allocation that spans 4 months time. This way, they will have an opportunity to calibrate their performance before penalized. He then went over penalties for overuse, enforcement. Mr. Ruiz stated the penalties and fines will have separate PUD accounting used to offset CWA penalties. Funds collected will be used to offset enforcement activities. The accounting process will be similar to the DRES. It will be accounted for and presented to IROC before transferring funds.

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He noted customers can establish allocation variances based upon a variety of situations, but must demonstrate efficiency. Last, Mr. Ruiz stated this will require a Prop. 218 Notice, he then briefly discussed on-going refinements, suggestions and additional considerations. He then referred to tables with allocation examples.

Committee Member Kubota commented he is impressed with the amount of time and energy expended in this program and supports the staff in going forward with this. Committee Member Peugh mentioned in regard to the memo to the Mayor and Councilwoman Frye, will this have a cost impact and financial problems to the Department? Mr. Ruiz stated for FY09 and FY2010, we planned for a 15% reduction in revenues based upon a drop in sales. Through consolidation, etc., an expenditure level was met to match up to a 15% reduction in revenues. This gives the Department a cushion, however there are a number of positions that would be recommended to Council to hire in order to enforce. Some positions have been approved to provide field contact related to behavior restrictions or allocation methodology. These positions can be absorbed because of vacant positions, but would be temporary positions. We are hopeful customers will heed and hit the lower target we are looking for. Councilmember Peugh asked if IROC can see what is being deferred? Alex said yes, he will bring this information to IROC. Also, the variance process forms will be public and available online.

Chairperson Billings thanked the Department for the great work dedicated on this challenge. He added this process is not the City trying to penalize people, but a way for the City to fairly allocate any penalties that we as a city as a whole would have to pay if exceeded. Committee Member Welch thanked the Department for working with the clients with Process Water, she really appreciates it.

**7. American Recovery and Reinvestment Act Update**

This item was tabled to the next scheduled meeting of May 11, 2009.

**8. Barrett Flume 22 Reconstruction – Transfer of Funds**

Mr. Eric Rubalcava, Associate Civil Engineer, Water Resources & Planning Division, presented this item which requests a transfer of funds for this project. He noted recently the Water Department requested \$700K for repair of a different section of this same flume. He stated this was to mitigate some erosion problems caused by the 2007 wild fires and heavy rains, adding it was State funded and the City will be expecting a refund.

He gave an overview of the City owned reservoir systems. The water goes to the Otay Water Treatment Plant and also serves Southeast customers. Barrett Flume is an 11 mile long man made structure which transports water from lower Otay to Barrett Reservoir. He stated currently water cannot be transferred from the two lakes due to the collapsed section.

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Mr. Rubalcava reviewed the plan of action which is to use MWWD's as-needed design-build contract to expedite things. The scope of work will include a 90 foot pre-fabricated bridge, 54-inch pipeline and a fire retardant coating. The consequences of this project not going forward would be the City will be unable to use \$11.5M of usable raw water in Barrett Lake as well as not being able to lower Barrett Lake for the upcoming rainy season which will cause overflow. He noted this project was not funded for FY09 or FY10. Proposed is the excess funding in the Barrett Reservoir Outlet Tower, which is near completion, be transferred to the Barrett Flume project. The amount requested to transfer is \$1M.

Committee Member Kubota asked if other sections that may need upgrades? Mr. Rubalcava stated this would only be to make it possible to transfer water. Next fiscal year, money will be available for a planning study to assess the full 11 miles.

Committee Member Peugh asked if using the as-needed Contractor opposed to a competitor procurement is a definite decision. Mr. Rubalcava stated they are at the planning stages, and this is the plan of action, because this project must be expedited before a possible rainy season begins. Mr. Peugh asked what the timing is for a competitive process. Mr. Hooman Partow stated after the funding is secured, it will be transferred to Engineering where it can then be considered. He said the Operations Division worked on this project over the past year and have put together a design which is at about 30%, so it would be much faster to hire a builder. This lends itself to a design-build process. However, both options will be considered. He also noted even if the existing contract was used, it would be somewhat competitive because there are several firms who put bids. It is not a sole source.

Committee Member Welch asked if the project will be using the full \$1M for this project. Mr. Rubalcava stated it may be less than that amount, ~~but need to be certain~~. Once the project is complete, what funds are left will be transferred to the DRES. Committee Member Richardson asked why the transfer is not originally being made through the DRES, as DRES was meant to do with projects needing funding on a priority basis where it was not planned into the budget. Mr. Partow stated there was not enough funds in the DRES at that time, as most of the funds were allocated to other projects. Because of the existing project having extra funds that could be available, this is the route that was taken in order to expedite the project.

Rod Greek stated the audited financial statements were just received from the Auditor's Office the last week of March. He said we are in the process of finalizing what the balance should be based on the results of operations from FY08. At the time Mr. Partow asked for the funds, there were not sufficient funds.

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Committee Member Richardson asked if a stipulation can be placed, where once the DRES has been finalized, the IROC's preference would be to go through the DRES account first and would like to see the receivables and payables through the DRES. Mr. Greek stated the language is already created, but perhaps this could be part of IROC's recommendation on whether or not you support this item. Once it goes to Council, this discussion can take place. More questions were raised regarding the possibility of making the debits and credits in the DRES for recording purposes. Mr. Greek explained the process of the Auditor's Office, and stated all funds must be certified before the action goes to Council.

Committee Member Richardson gave a brief overview of what the DRES's purpose is. IROC would like to see the items where there are excess funds, go into the DRES and then out of the DRES for accounting records. Mr. Greek stated he will make contacts and do his best to modify this, based on IROC's recommendation. Committee Member Kubota added with this project needing to be expedited, he supports the staff recommendation of Design/Build to move it along. Mr. Peugh asked if the construction can be done without a lot of damage since this area is rugged, and if there are mitigation sites in the event there is. Marsi Steirer stated there are some cornerstones in that area that are adjacent to it, however, the Environmental staff is working closely with us and there should not be a problem.

Committee Member Webster asked for a description of the planning process for when projects are identified as needing repair and how they are prioritized in the current budget process. Mr. Hooman stated there are certain projects that start off as Operations and Maintenance (O&M) projects. O&M staff would then evaluate and plan to do the project themselves. This particular project was one of these. At some point, it was deemed to be too elaborate for the staff, so it was decided to have a professional construction firm do the work. At this point, the budget was already put together. It was not identified in the Rate Case, so in essence, it is still required to come to IROC for your support. He added there are several requests throughout the year from the O&M Division to take over projects, and we will continue to come to IROC for your support.

Chairperson Billings asked for a motion to support this request conditioned upon the transfer of funds from the Tower account to the Flume account to be fully transparent and accounted for within the DRES. Mr. Ferrier asked, for clarification, if there is a chance this cannot happen this way, because of an auditing issue for example, is this project still supported to go forward with. Committee Member Richardson stated in the absence of being able to do it through the DRES, IROC will require full documentation of why it could not have been. Chairperson Billings suggested a visible footnote in the DRES. Mr. Ferrier concurred. With Committee Member Dull absent, all were in favor.

**9. Amendment to USGS Agreement for Groundwater Services**



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Chairperson Billing mentioned a speaker slip was submitted from Mr. Wes Danskin, representing the USGS, who does not have comments at this time but is available to answer any questions as needed.

Marsi Steirer introduced Larry Abutin, Project Manager, and stated he is involved with a number of ground water projects associated with San Pasqual Basin. Ms. Steirer began her presentation, pointing out USGS has been integrated into the overall plan associated with the development of the groundwater program. San Diego Water Authority also has been utilizing their services for a number of years. She gave a brief background and listed the Plan's groundwater goals which are to develop 10,000 AFY groundwater desalination then 20,000 AFY of groundwater storage to diversify the City's water portfolio and be an increase to local water supply.

Ms. Steirer pointed out several projects completed by USGS as well as the current project of constructing Monitoring Wells in the San Pasqual Basin. She stated what is proposed is to amend the Agreement the Council executed last year and add the proposed project which is the hydrogeological investigation of several San Diego groundwater basins, including developing a surface water/groundwater model of the San Diego River system which includes the San Diego Formation basin. She concluded by going over the cost not to exceed \$250K and the work would be scheduled for 2010-2013.

Chairperson Billings asked for a motion to support the amendment agreement with USGS for cooperative hydrogeological investigations for an amount not to exceed \$250K. Committee Member Newman moved, Committee Member Peugh seconded, with Committee Member Dull absent, all were in favor.

**10. Design/Build Contract for Fluoridation**

Mr. Iraj Asgharzadeh, Project Manager, Fluoride Facilities introduced himself and gave a brief description of the requested action to support amendment to the Water Department FY09 Appropriations Ordinance by adding CIP 72-935.0; transfer of \$3,227,016 from the SD-17 Pump Station & Flow Control Facility CIP 73-314.0 to CIP 72-935.0; and award the Design/Build Contract to J.R. Filanc Construction Company for construction of Fluoridation Facilities for an amount not to exceed \$3,227,016. He mentioned the First 5 Commission has chosen the City of San Diego to provide \$3.9M to fluoride through Alvarado Treatment Plant, Miramar and Otay. He stated all Department of Public Health requirements must be met. Meetings have been held in May, 2008 where a letter of commitment was received. The desired finish date would be within 2 years of 2008. He stated J.R. Filanc Construction Company (Design/Build) is working to meet this goal by May 2010 with a very aggressive schedule. To be reimbursed by First 5 Commission, the City must use Water Revenue to pay up front, and as invoices are submitted, the City will be reimbursed. He stated they are hoping to

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go to Council early June, 2009 and start construction July, 2009. He asked for the support before gone before NR&C and City Council.

Chairperson Billings asked if there is a Letter of Credit from First 5. Mr. Tom Zeleny stated there is not, but in his recollection since that point it has been memorialized into a Contract. Mr. Asgharzadeh noted he believes the Agreement has not been signed, but will be before taken to City Council. Mr. Zeleny stated if invoices were submitted, and the City was not reimbursed, there would be an obligation to stop. He believes there was an initiative in San Diego, prohibiting us from putting fluoride into the system, however, this is pre-empted by State Law, if the funding is provided, we must fluoridate.

Committee Member Richardson asked under the terms of the Contract, whether signed or not, when is the payment from First 5 due? Mr. Asgharzadeh stated as invoices are submitted on a monthly basis, and should be reimbursed then. Mr. Zeleny noted we must be reimbursed each year, as long as we are operating. If there is no funding, it will be shut down. Committee Member Newman asked if there was an initial term to this, and would like more information. Mr. Zeleny concurred and will confirm and get back to IROC.

Chairperson Billings asked for a motion to support the three requested actions. Committee Member Newman moved, Committee Member Richardson seconded, with Committee Member Dull absent, all were unanimously in favor.

**11. Committee Reports**

a. Finance – *Subcommittee Chair Richardson*

- Discussion, by Lakshmi Kommi, Director of Debt Management, on the upcoming Public Utilities Debt Financing Plans for MWWDD which is underway and possibly executed in May.
- Discussion regarding status of the Metropolitan Water District of Southern California's timing of rate increases for FY10, still in discussion at their Board. Chairperson Billings asked about the size of the increases, and if it would require a 218 Notice. Sam Gray concurred the increases may be between 20 - 30%, and all increases require a 218 Notice. However, the increase may not come all at once. The reason for the proposed price increase is their efforts to find additional water supply primarily.

Chairperson Billings suggested having this continue to be a Finance Subcommittee Item, and have updates as needed to the full IROC. Committee Ex-Officio Member Williams stated the price increases are driven by two factors, 1) additional water sources, primarily making deals with farmers further north to sell water

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they have to MET; and 2) anticipation of fewer acre feet of water coming through the system, yet having to maintain the fixed cost of the system.

b. Environmental & Technical – *Subcommittee Chair Peugh*

- Update on IPR project. Contracts for both the Demonstration Project and the Reservoir Study have been approved. The expert advisory panel has set up a meeting and moving forward.
- Discussion regarding Consumers Alternative put together by Brown & Caldwell. It is anticipated information will be brought to the next meeting.
- Submetering was discussed. New construction would not be a problem, however retrofitting would be incredibly difficult and expensive. Will continue to discuss in the future.
- It was learned that when hospitals dispose of medicines that have been taken out of storage, they go down the toilet. This is alarming. This will be looked into in the future.

Chairperson Billings asked if this subject can be an action item on the Committees Agenda. Committee Member Peugh concurred.

c. Public Outreach, Education & Customer Service – *Subcommittee Chair Welch*

- UCAN insert review of 5 versions, which were approved by the Judge and will be released 3x a year over the next 5 years.
- Water Allocation discussion
- How best to communicate to water customers the need to conserve water and how to conserve, including multi tenants
- Public Outreach regarding IPR

12. **Metro/JPA Report Out – Chairperson Billings/Augie Caires**

- Presentation on weatherbased irrigation controllers and systems
- Presentation of the IROC Annual Report
- Presentation by Alan Langworthy of the Southern California Coastal Water Research Project and the funding of this project
- Announcement of Annual Strategic Planning Meeting on May 7, 2009. This will be a 3 hour meeting, looking into the next year

13. **Coronado/Nat'l City Transportation Agreements**

Darlene Morrow-Truver gave a brief update and background on the Transportation Agreements. She mentioned the City provides wastewater transportation treatment disposal services to 15 Participation Agencies (PAs), including municipal services to some. There are 2 separate Agreements, the Regional Wastewater Disposal Agreement for Metro Treatment Facilities and a

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Sewer Transportation Agreement for transportation issues. Transportation Agreements are entered individually with the City and the Agency. 13 Participating Agencies use a portion of the Municipal System before getting to the Metro System, these Agreements, with the exception of Del Mar, have expired and in the process of getting new Agreements in place and will run through 2050, to be concurrent with Wastewater. A Transportation Rate has been identified to pay for the O&M portion of the costs running through the pipes, and a methodology for digesting the transportation rate. She also explained the capacity rights in the Municipal System, which may be different than the Metro System, and how they might be adjusted, with a methodology for a portion of the Capital Improvement Costs of the Municipal pipes used. Ms. Morrow-Truver noted each entity only pays for the actual pipes and/or pump stations they use, whereas in the Metro Agreement, it is treated as a regional system, and they pay their share. She mentioned Raftelis was brought in to help develop a rate, and have discussed with the different agencies. She stated it will include the annual inflator, but at 5 years, the expenses over the past 3 years will be looked at, to make sure it is still in sync, with an over or under collected. If actuals are more than 5% off, then would start over again. There are capital improvement cost sharing, based on their peak design capacity, and will be paid as incurred, but they will be notified far in advance.

Ms. Morrow-Truver stated the two (Coronado and National City) Agreements are ready to move forward and have been approved by the Agencies' Councils and will go to City Council in 2 weeks, with. She did mention with National City, the City of San Diego uses some of their Municipal System, so we will owe them money, based on this new rate.

Committee Member Newman asked if in the Agreements, with the PAs or within the City itself, are there any constraints upon what materials can be put into the sewer? Bob Ferrier said Yes. Barry then mentioned the pharmaceutical issue concerns. Mr. Ferrier stated the Industrial Waste Program is oriented toward this, and regulated and works with the PAs as well. He added, with respect to pharmaceuticals, he is unsure of the constraints but will check in to it. Mr. Newman asked if this can be an ongoing subject. Mr. Ferrier stated in regard to the Agreements themselves, there are also elements they have subscribed for to a certain amount of capacity, and there are flow projections going into the future. We are aware and can appropriately plan for the future with the controls built into this.

Committee Member Kubota asked if in the Agreements, are there quantity restrictions with chemicals and biological discharging? Ms. Truver stated she does not believe there are with the Municipal Agreements, but are on the Metro side and billed based on COD TSS. Committee Member Peugh requested bringing the other Agreements for a briefing to IROC when they are ready to go to Council. Ms. Morrow-Truver stated she would do so.

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**14. Metro Wastewater Department's Preliminary Official Statement and Feasibility Study – Debt Financings**

Ms. Truver stated the next piece of Bond Issuance (Preliminary Official Statement (POS)) is going to Council today, including the Feasibility Study plus the CAFR. After your recent consent of agreement to issue Bonds, Council agreed to continue with the financing as well. Today, the actual documents will be presented. There are two POS, one 2009A to take care of the private note, and add \$145M new money, also \$51M of refunding from the 1997 Bonds which will go with it. The second is 2009B to refund \$403M to refinance some of the older debt. She then went over the financing schedule. She added the POS was prepared by Hawkins Delafield and thoroughly reviewed by the Disclosure Practice Working Group (DPWG) by the financing group. The Mayor has also signed a certification and the City Attorney and CFO certified that it is complete and sufficient at well. This will all go to City Council today, to give the assurance.

She stated the Feasibility Study and other attachments were supplied to IROC, and recommends reading. This was conducted to support the bond issues by Malcolm Pirnie who will be at Council today to answer questions.

**15. Proposed Agenda Items for next IROC Meeting of May 11, 2009**

Please send suggestions to Chairperson Billings via email.

**16. IROC Members' Comments**

Chairperson Billings stated he would like to formally thank Committee Members Richardson and Cocking for their time served on IROC. Committee Member Cocking said it has been a pleasure working with everyone. Committee Member Richardson said he has been impressed with the professionalism of IROC and the City. As a citizen and ratepayer, it has been a pleasure to serve on IROC and understand how well the City is managing its water and wastewater with the resources and management in place. Chairperson Billings presented both Committee Members with a framed certificate.

**Adjournment of IROC**

At 12:15 Chairperson Billings called for a motion to adjourn, Committee Member Welch moved, Mr. Kubota seconded, with Committee Member Dull absent, unanimously the meeting was adjourned.

Recording Secretary: \_\_\_\_\_  
Monica Musaraca

# ITEM 6

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On February 17th, 2009 President Barack Obama signed the [American Recovery and Reinvestment Act](#) (ARRA)(PDF: 1Mb). The ARRA provides \$787 billion in federal stimulus funds to state and local government. Over the past few months, the City's lobbying team, under the direction of the Mayor, has worked very hard to make sure that the City and region will have funding opportunities in a number of areas including transportation, housing and public safety. The Mayor anticipates that the stimulus funds will create job preservation and creation, local fiscal stabilization, energy efficiency and science and infrastructure investment for the City of San Diego. [More...](#)

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FEDERAL RECOVERY

CALIFORNIA RECOVERY

REGIONAL RECOVERY

SANDAG

MTS

SAN DIEGO COUNTY  
WATER AUTHORITYLEAGUE OF  
CALIFORNIA CITIESOFFICE OF  
THE MAYOR

### Transportation



Funding for comprehensive projects dedicated to improving regional transportation, goods movement and long term regional growth. [More information...](#)

### General Infrastructure



**Funds Received: \$10.5 Million**  
Funding for a variety of infrastructure projects and programs including city buildings, sidewalks and border construction. [More information...](#)

### Housing



Funding to provide assistance for foreclosure, affordable renting and renovation for emergency shelters and transitional housing. [More information...](#)

### Public Safety



Funding for public safety programs and activities, hiring and rehiring of career law enforcement officers, public safety technology, construction of non-Federal fire stations and brush management. [More information...](#)

### Energy



Funding to reduce fossil fuel emissions and total energy use, improve energy efficiency in transportation and infrastructure, develop energy distribution technologies and encourage landfill gas capture. [More information...](#)

### Water



Funding to improve clean water and safe drinking water programs and expand ground water, water reclamation and water reuse projects. [More information...](#)

### Miscellaneous



Funding for education, local universities, military construction and courthouses. [More information...](#)



# **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009**

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by President Obama on February 17, 2009. Among its provisions, the ARRA provides funds for the Safe Drinking Water State Revolving Fund (SDWSRF) and California Clean Water State Revolving Fund (CWSRF). The following state agencies are administering the current SRF Loan programs with ARRA funding:

## **Department of Public Health (SDWSRF) \$160 Million ARRA**

Provides funding to correct public water system (PWS) deficiencies based on a prioritized funding system to comply with requirements of the Safe Drinking Water Act. Higher priority projects include:

- PWS projects addressing public health risk problems
- PWS projects needed to comply with the Federal Safe Drinking Water Act
- Projects assisting PWS most in need on a per household affordability basis

Competitive projects will need:

- Compliance with Federal Cross-Cutting Authorities
- Compliance with NEPA-like requirements
- Ranking will be based on 1) Readiness to proceed – est. 120 - 160 days; 2) Health-based problem addressed; 3) Additional ranking based on median household income, consolidation of water systems, population served

Projects will be reviewed/ranked based on pre-application and selected projects will be invited to submit full applications. Water systems must be able to submit a complete application by the deadline specified (anticipated being June 2009). Applicants are urged to submit applications immediately upon receipt of an invitation. DPH will process applications in order received and commit funds to eligible projects deemed ready to proceed, until all available funds are exhausted.

## **State Water Resources Control Board (CWSRF) \$281 Million ARRA**

Provides funding to implement the federal Clean Water Act (CWA) for construction or implementation of projects that address water quality problems and to prevent pollution of the waters of the State. Projects include:

- Construction of publicly-owned wastewater treatment facilities
- Local sewers, sewer interceptors
- Water recycling facilities
- Storm water treatment facilities
- Expanded use projects (i.e. implementation of Nonpoint source projects)

Projects placed on Project Priority List (PPL) will need:

- Compliance with Federal Cross-Cutting Authorities

- Compliance with CEQA/NEPA
- Ranking will be based on project's readiness to proceed - that will create jobs immediately

Project submittals to Project Priority List (PPL) will be reviewed/ranked based on above criteria. Selected projects will be invited to submit full applications. Executed loan agreements anticipated by February 2010.

## **OTHER RELATED AGENCIES RECEIVING ARRA FUNDS**

### **U.S. Bureau of Reclamation \$126 Million ARRA**

Provide funding for projects that reclaim and reuse wastewaters and naturally impaired ground and surface water in the 17 Western States and Hawaii.

ARRA funding for construction activities will not be disbursed until pre-construction requirements are met: 1) feasibility study that meets Title 16; 2) complete compliance with NEPA and other environmental clearances; 3) approved determination of financial capability; 4) executed cooperative agreement for with BOR. Project funding, from current BOR appropriation and ARRA appropriation combined, cannot exceed 25% of the total project cost.

Projects funded under the BOR ARRA will be prioritized based upon the following criteria:

- Project completion by September 2010 (with higher ranking to projects that will expend funds by September 30, 2010).
- Reasonableness of the submitted cost estimate and expenditure rate and the likelihood of the project to meet the established goals.
- Federal cost share of current expenditures to date is less than 25%.
- Proposed activities that are likely to be completed within the provided project schedule.
- Proposed activities that complete a pre-construction activity, a phase of a project, or make water available on or before September 30, 2011.

**Note:** In federal fiscal year 2009, the City of San Diego has a current BOR funding appropriation of approximately \$2.5 Million for its recycled water, water reuse, and ground/surface water projects.

## PROJECTS SUBMITTED FOR ARRA FUNDING PROGRAMS

### Department of Public Health SRF Loan Program

#### Project Title

#### Project Description

<b>Cast Iron Water Main Replacements</b>  <b>Project Cost: \$49,507,837</b> <b>SRF Request: \$20,000,000</b>	<p>Under the current City policy, cast iron water main replacements are coordinated with the replacement of aging and deteriorating concrete sewers located within the same public right-of-way. The City has increased the cast iron water main replacement program to award 15 miles of replacement for fiscal year 2008 and 20 miles for fiscal years 2009 through 2011. Approximately 117 miles of cast iron pipe have been replaced from 1999 to 2008.</p>
<b>Groundwater Pilot Production Wells</b>  <b>Project Cost: \$2,000,000</b> <b>SRF Request: \$2,000,000</b>	<p>The purpose of the Pilot Production Wells project is to evaluate the groundwater production potential of three groundwater basins in the City of San Diego to determine the water supply production of each basin for use as a new local water supply source. Four pilot production wells are proposed: one in the Santee-El Monte Basin, one in Mission Valley Basin, and two in the San Diego Formation. Each pilot production well will be sized to produce approximately 500 gallons per minute.</p>
<b>Alvarado Water Treatment Plant Phase III (Flocculation and Sedimentation Basins)</b>  <b>Project Cost: \$30,928,904</b> <b>SRF Request: \$20,000,000</b>	<p>This project is a continuing upgrade and expansion of the Alvarado Water Treatment Plant, Phase III which will rehabilitate the 1952 sedimentation and flocculation basins 1 and 2 with upgraded equipment, controls and structural improvements to enhance the basins efficiency and reduce maintenance cost. The Alvarado Water Treatment Plant is undergoing an upgrade and expansion to increase its treatment capacity from 120 to 200 million gallons of drinking water a day (mgd) to meet anticipated 2030 demands.</p>
<b>San Carlos Reservoir Enhancement</b>  <b>Project Cost: \$1,167,531</b> <b>SRF Request: \$1,167,531</b>	<p>The San Carlos Reservoir Interior Enhancements Project will install a synthetic membrane lining system to prevent leakage from the 5.0 MG pre stressed wire-wrapped concrete circular potable water tank located at the intersection of Wing Span Drive and Tommy Drive in the San Carlos community. The reservoir, originally built in 1965, was substantially rehabilitated in 2001. That work included a seismic retrofit plus valve, pipeline, and appurtenance upgrades to bring the facility up to code. This is the final step in the complete rehabilitation process.</p>

## PROJECTS SUBMITTED FOR ARRA FUNDING PROGRAMS

### State Water Resources Control Board SRF Loan Program

Project Title	Project Description
<b>Indirect Potable Reuse/Reservoir Augmentation Demonstration Project</b>  <b>Project Cost: \$11,811,000</b> <b>SRF Request: \$7,785,415</b>	<p>Phase 2 of a three phase program which, upon completion will create an estimated 12,000 AF per year of new potable water supply for the City and the region from highly treated tertiary wastewater. The IPR/RA Demo Project will design, construct, operate, and test a demonstration-scale advanced water treatment; conduct a limnology study ; convene an independent Advisory Panel; define regulatory requirements.</p>
<b>Los Penasquitos Recycled Water Pipeline</b>  <b>Project Cost: \$4,360,000</b> <b>SRF Request: \$3,270,000</b>	<p>The project will deliver recycled water from the North City Water Reclamation Plant to service areas in the northern region of the City of San Diego. The project is estimated to meet demands of 350 AF per year of recycled water.</p>
<b>Sorrento Mesa Recycled Water Pipeline</b>  <b>Project Cost: \$2,800,000</b> <b>SRF Request: \$2,800,000</b>	<p>The project is a design/build project that would expand the recycled water distribution system into the Sorrento Mesa area to serve customers anticipating future delivery. The project is estimated to meet demands of 250 AF per year of recycled water.</p>
<b>Carmel Valley Recycled Water Pipeline</b>  <b>Project Cost: \$6,422,648</b> <b>SRF Request: \$4,816,986</b>	<p>The project is designed to expand the reclaimed water system into the North Coastal region of San Diego. It will provide future service to Grande Del Mar Golf Course, several Home Owner Associations, and other customers in western portion of Carmel Valley. The project is estimated to meet demands of 300 AF per year of recycled water.</p>

# ITEM 8

CITY OF SAN DIEGO

MEMORANDUM

DATE: May, 01, 2009

TO: Independent Rates Oversight Committee

FROM: Engineering and Capital Projects Department

SUBJECT: Advertise and Award of Lake Murray Trunk Sewer

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Requested Action: Support the Advertise and Award of Lake Murray Trunk Sewer

Discussion:

Lake Murray Trunk Sewer is part of the City of San Diego's continuing Annual Sewer Main Replacement Program and has an EPA consent decree deadline of 2011. This project is located in the Lake Murray and Mission Trails Regional Park communities. The project will replace approximately 15,900 linear feet of existing 12, 15, and 18 inch diameter sections of vitrified clay pipe (VCP). The alignment runs through Mission Trails Golf Course and along and through Lake Murray Park where it terminates a few hundred feet past Lake Murray Dam. The pipeline was originally installed in 1959 and is at the end of its design life.

Financial Impact: The total estimated cost of this project is \$18,361,965.30. Enterprise funding of \$939,693.00 was previously authorized by Council (R-297031) for consultant services and related costs for this project. Additional funding of \$17,422,272.30 is required, \$15,876,604.30 (FY10) is available in Enterprise Fund, CIP No. 46-197.9, Lake Murray Trunk Sewer, \$250,000 (FY09) will be transferred from CIP No. 46-195.8, Miramar Road Trunk Sewer, Fund 41506, Sewer, and \$1,295,668 (FY10) is available in CIP No. 46-193.0, Annual Allocation-Muni Pooled Contingency, Fund 41506, Sewer, for this purpose.

The total sewer project costs of \$18,361,965.30 may be reimbursed approximately 80% by current or future debt financing. The project is scheduled to use FY09 and FY10 funding. No further funding is anticipated

Attachment: 1472

**COUNCIL ACTION  
EXECUTIVE SUMMARY SHEET  
CITY OF SAN DIEGO**

DATE: 04/15/2009

ORIGINATING DEPARTMENT: ECP/Right of Way Design Div

SUBJECT: Advertise and Award of Lake Murray Trunk Sewer

COUNCIL DISTRICT(S): 7 (Emerald)

CONTACT/PHONE NUMBER: Marnell Gibson/533-5213

**REQUESTED ACTION:**

Council authorization is requested to advertise and award a construction contract for Lake Murray Trunk Sewer which will remove and replace old trunk sewer mains within the Lake Murray and Mission Trails Regional Park communities.

**STAFF RECOMMENDATION:**

Adopt the Resolutions.

Lake Murray Trunk Sewer is part of the City of San Diego's continuing Annual Sewer Main Replacement Program and has an EPA consent decree deadline of 2011. This project is located in the Lake Murray and Mission Trails Regional Park communities. The project will replace approximately 15,900 linear feet of existing 12, 15, and 18 inch diameter sections of vitrified clay pipe (VCP). The alignment runs through Mission Trails Golf Course and along and through Lake Murray Park where it terminates a few hundred feet past Lake Murray Dam. The pipeline was originally installed in 1959 and is at the end of its design life.

**EQUAL OPPORTUNITY CONTRACTING:**

Funding Agency: City of San Diego – Prevailing wages apply to this contract.

Goals: 22% Mandatory Subcontractor Participation Goal, 2% Advisory Participation Goal Disadvantaged Business Enterprise (DBE), 1.5% Advisory Participation Goal Disabled Veteran Business Enterprise (DVBE), 2% Advisory Participation Goal Small Minority Business Enterprise, 0.4% Advisory Participation Goal Minor Women Business Enterprise, 16.1% Advisory Participation Goal Other Business Enterprise (OBE)

Other: This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517.) Prior to award, a Work Force Report, and if necessary, an Equal Opportunity Plan shall be submitted. Staff will monitor the Plan and adherence to the Nondiscrimination Ordinance. EOC staff will evaluate the bidder's compliance with SCOPE. Failure to comply with SCOPE will lead to the bid being declared non-responsive. This contract will be advertised for bids in the San Diego Daily Transcript, the Orange Country Register, the City of San Diego's website, and the E-bid Board. In addition, once implemented, the Bidder Registration Program will notify registered participants of bid opportunities. Prior to implementation of the Bidder Registration Program, the City will notify trade associations and eligible firms via fax and/or email.

#### FISCAL CONSIDERATIONS:

The total estimated cost of this project is \$18,361,965.30. Enterprise funding of \$939,693.00 was previously authorized by Council (R-297031) for consultant services and related costs for this project. Additional funding of \$17,422,272.30 is required, \$15,876,604.30 (FY10) is available in Sewer Fund 41506, CIP No. 46-197.9, Lake Murray Trunk Sewer, \$250,000 (FY09) will be transferred from CIP No. 46-195.8, Miramar Road Trunk Sewer, Fund 41506, Sewer, and \$1,295,668 (FY10) is available in CIP No. 46-193.0, Annual Allocation-Muni Pooled Contingency, Fund 41506, Sewer, for this purpose.

The total sewer project costs of \$18,361,965.30 may be reimbursed approximately 80% by current or future debt financing. The project is scheduled to use FY09 and FY10 funding. No further funding is anticipated. Contingent upon approval of the FY10 Appropriation Ordinance, the Auditor's Certificate will be provided prior to contract award.

#### PREVIOUS COUNCIL COMMITTEE ACTIONS:

The subject item will be presented to the IROC committee prior to the NR&C date.

The subject item will be presented to the NR&C committee prior to the council docket date.

#### COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

This project was presented to the Mission Trails Regional Park Citizen's Advisory Committee on May 21, 2008. Concerns and comments were addressed. Also, it was presented to the Mission Trails Citizens and Friends of Lake Murray on May 6, 2008. In addition, residents and businesses will be notified at least one month before construction begins by the City's Engineering and Capital Projects Department and again, ten days before construction begins by the contractor through hand distribution of notices.

#### KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

Residents surrounding the project area will experience minimal impacts during construction. After completion, residents and businesses will experience improved reliability of the sewer collection systems.

Boekamp, Patti

Originating Department

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Deputy Chief/Chief Operating Officer



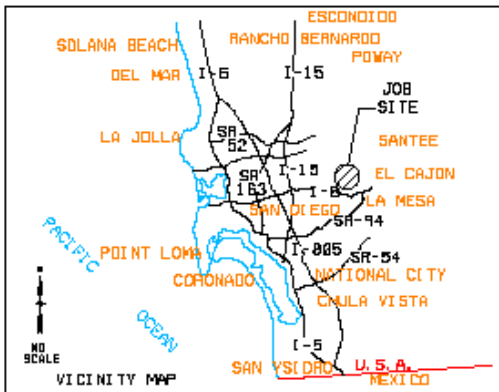
# Lake Murray Trunk Sewer (CIP 46-197.9)

Independent Rates Oversight  
Committee Presentation

May 11, 2009

# EPA Mandate

- Project is listed in the Environmental Protection Agency (EPA) Consent Decree, mandated to be completed by October 2011.
- This Council Action was approved by the NR&C Committee on April 22, 2009.
- Project includes replacement of 14,942 lineal feet of deteriorated Trunk Sewer pipes.

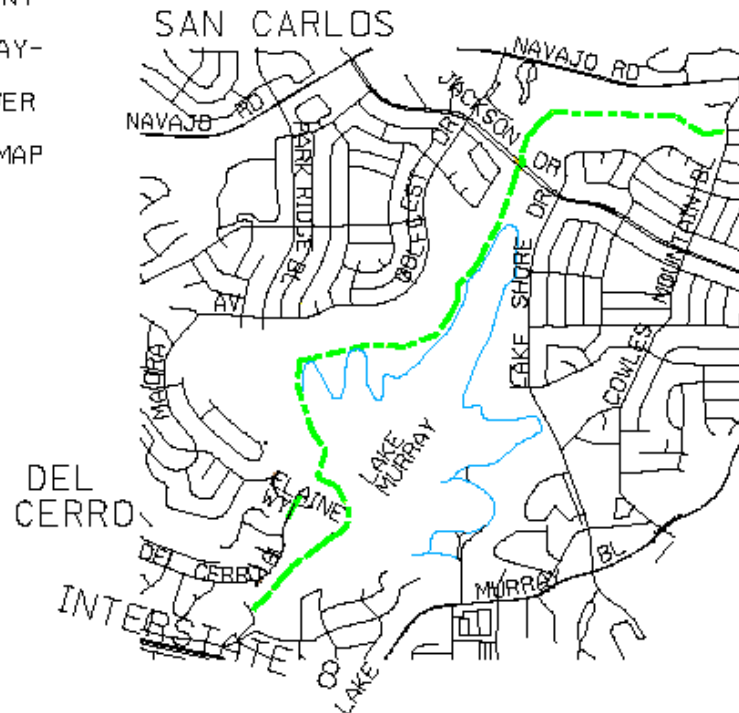


PROJECT ENGINEER  
DANIEL TITTLE  
☎ 533-7468

SENIOR ENGINEER  
CARL SPIER  
☎ 533-5126

PROJECT MANAGER  
HUNG HUYNH  
☎ 235-1979

SEWER MAIN  
REPLACEMENT  
LAKE MURRAY-  
TRUNK SEWER  
LOCATION MAP



04-28-08, RAD

# Why Additional Funds are Needed?

- Due to constraints in accessing the public financing market, this project was previously put on hold and a “Loss of Revenue” study was not completed for the Mission Trails Golf Course.
- In anticipation of public financing, the “Loss of Revenue” study was completed and the project cost estimate was updated to \$18.4 M

# Request for Funds Transfer

- The Miramar Road Trunk Sewer which has been identified in **Annual Allocation for Sewer Main Replacements** is completed and has additional funds available to be transferred to Lake Murray Trunk Sewer with no impact to the sewer main replacement program.
- Engineering & Capital Projects Department is requesting IROC approval to transfer \$ 250,000.00 from the **Miramar Road Trunk Sewer to DRES Acct. 895045** then to Lake Murray Trunk Sewer project.

# ITEM 10

**City of San Diego  
Independent Rates Oversight Committee (IROC)  
Finance Subcommittee Meeting  
April 13, 2009  
8:30 a.m. to 9:50 a.m.**

**MINUTES**

Roll Call - Chairperson Richardson called the roll and a quorum was declared. In attendance were Subcommittee Chairperson Richardson, Members Cocking and Welsh and Ex-Officio member Billings and Newman.

1. Non-Agenda Public Comment – There was no non-agenda public comment.
2. The Minutes from the Finance Subcommittee meeting of March 9, 2009 were approved.
3. An update on the status of the pending MWWD May and June 2009 public financing initiatives was presented by representatives of MWWD. Prior to today's meeting, all members of IROC had been provided with a digital copy of the Preliminary Official Statements and Engineering Feasibility Study supporting the two pending Wastewater System Sewer Bonds (2009A) & Sewer Refunding Bonds (2009B) financings.
4. A brief presentation was made by representatives of SDWD on eight projects being submitted for consideration to be funded under the American Recovery and Reinvestment Act of 2009 through the California Department of Public Health SRF Loan Program and the California State Water Resources Control Board SRF Loan Program. The projects being submitted will be in competition with SRF Loan Program project submissions from other municipalities within California. It is anticipated that there will be several rounds of project evaluations and follow-ups and that the list of selected projects will not be finalized by the State Agencies until sometime in the fall of 2009.
5. Representatives of SDWD and MWWD, Messrs. Billings and Newman and Ms. Welsh expressed their appreciation for the contributions rendered by Mr. Richardson and Ms. Cocking during their term as members of IROC and of IROC's Finance Subcommittee. Both Mr. Richardson and Ms. Cocking elected, for personal reasons, to leave IROC, as of May 1, 2009, the completion date of their initial term of appointing to IROC.

There being no additional Finance Subcommittee member comments, the Subcommittee Meeting adjourned at 9:50 a.m.

# INDEPENDENT RATES OVERSIGHT COMMITTEE (IROC)

## ENVIRONMENT AND TECHNICAL SUBCOMMITTEE

### DRAFT MEETING NOTES FROM APRIL 6, 2009 MEETING:

Meeting started about 10:05 in Metropolitan Operations Complex Auditorium.

Members attending were: Jack Kubota, Todd Webster, Gail Welsh, and Jim Peugh (Chair)

Ex-officio members attending were: Don Billings (IROC Chair)

Augie Caires from IROC also attended.

Meeting notes were taken by Jim Peugh

**1. NON-AGENDA PUBLIC COMMENT:** None

**2. APPROVAL OF MINUTES FROM FEBRUARY 2 MEETING:**

Minutes had not been made available for review before the meeting so they were not approved.

**3. UPDATE ON IPR DEMONSTRATION PROJECT:**

The contracts for the Demonstration and for the Reservoir Retention Study have been approved. The Demonstration project will do the design, procurement, construction, and operation of the pilot plant and will analyze the information and document it. The Reservoir Retention Study will go to Flow Sciences as a sole source contract.

The expert advisory panel has been identified and will have their first meeting on May 11 and the panel will be managed by the National Water Research Institute. An early task will be identifying what the demonstration project needs to accomplish to provide the information needed for the California Department of Public Health and the Regional Water Quality Control Board and develop an SOW for the project that will fulfill those needs. Additional staff has been put in place to manage the project.

**4. IDENTIFYING PREVIOUS STUDY ON POSSIBLE CONFIGURATIONS FOR THE WASTEWATER SYSTEM:**

It was thought that the study that we are looking for is the "Consumers' Alternative" which was put together by Brown and Caldwell in 1990. The Wastewater Department will bring provide that to the E&T Committee at a future meeting.

It was mentioned that Xi'an University of Architecture and Technology had investigated an integrated wastewater/water system in a study. It provided water treatment and reclamation in District level systems that were managed as an entire regional system.

**5. SUBMETERING:**

Sub metering is expected to conserve a large amount of water since it will make renters and sub owners responsible for the costs of the water that they use. But it appears that there is no real-world data to say how much water it will provide and how much it will cost to implement. The cost is expected to be low for new construction, but probably high for retrofit. In some difficult retrofit situation, a separate sub meter could be required for a single plumbing fixture. The sub meters cost around \$75 each.

It is anticipated that multifamily projects would also have a separate meter for landscaping, which would also tend to promote conservation by the project manager and assist in water allocation efforts.

The Department of Weights and Measures has rejected some sub metering systems in San Diego complicating the retrofit problems.



It is anticipated that some sub meters would be private and the fees would be paid and passed on by the property managers, and some could be publicly owned and billed by the Water Department. It is not clear how sub metering will fit with the transition to Automatic Meter Reading for publicly operated sub meters.

Apparently the NR&C Committee has sub metering as a standing item on their agenda.

Apartment managers are interested in the economic advantages for sub metering as irresponsible use of water by tenants is a cost that could be avoided if tenants paid their own water bills. In some difficult retrofit situation, a separate sub meter could be required for a single plumbing fixture

## **6. ENDOCRINE DISRUPTERS:**

It was not clear that this item was based on concerns for the health for fish in receiving waters or the health of people. It is thought that Alan Langworthy could contribute significantly to a future subcommittee discussion based on his knowledge.

A major concern is that endocrine disrupters may cause impacts at very low concentrations. Detection is possible for some substances down to parts in quadrillions, but doing so is very costly. It was mentioned that high levels of nutrients can have gender-bending impacts on alligators. It will be a long time before enough information is available before the effects and risks related to endocrine disrupters is well enough understood to make intelligent decisions.

It was learned that hospitals dispose of medicines that are ordered, but are not used by patients by flushing them down the toilets. This practice seems very inappropriate based on our lack of knowledge of the impacts of these substances.

## **7. CURRENT CWA PROGRAM FOR WATER ALLOCATION:**

This item was not discussed as the issue was in transition at the time.

## **8. POSSIBLE FUTURE SUBCOMMITTEE AGENDA ITEMS.**

A few potential agenda items were brought up:  
Water facilities CIP prioritization (next month),  
Endocrine disruptors,  
IPR update (in June to hear the results of the May advisory panel meetings)

### **The following potential agenda items were identified at previous meetings:**

- Is the County Water Authority a potential source for funds to start the planning needed for the implementation of potable reuse of water?
- Does the County Water Authority have an aquifer that might be made available for the storage and recovery of potable water that might be easier to permit and operate than the San Vicente Reservoir?
- More information on the Bay Delta and the potential benefits and consequences of the Bay Delta "fix".
- Status of the Waiver.
- Proposed agreement on the study of future potential directions for the City's wastewater system to improve water reclamation and water quality.

## **5. ADJOURNMENT:**

The meeting was adjourned at about 11:20

Mr. Webster will not be able to attend the May E&T Subcommittee meeting

City of San Diego  
Independent Rates Oversight Committee – IROC

Public Outreach, Education & Customer Service  
Subcommittee Meeting

April 6, 2009  
8:30 a.m. – 9:50 a.m.

M I N U T E S

1. Attendees: Gail Welch, Jack Kubota, Barry Newman, Don Billings
2. Staff provided update of the Mayor's Water Allocation Program and Formula, released on 3/20/09 for the planned water allocation and described the detailed methodology for calculating a typical water customer allocation.
3. Mr Tom Zeleny briefed subcommittee on his memorandum to the Natural Resources & Culture Committee which concluded that 1) IROC is tasked with advising the Mayor and City Council on policy issues related to water and wastewater, and 2) IROC review is not a legal prerequisite to City Council Action.
4. Mr Tom Zeleny briefed subcommittee on UCAN insert and five versions that were approved by the judge. The insert is to be issued three times a year for five years.
5. Briefly discussed challenge in getting the water conservation message out to all City residents, considering there are approximately 400,000 residential dwellings and 275,000 meters billed. Currently, the Water Dept website contains excellent information for residents on water emergency information, the Drought Watch, water conservation, product rebates, water saving tips for residential and commercial customers and assorted other information. The challenge is how to ensure people are seeing these important messages and how to explore other avenues to reach customers to promote water conservation.
6. Meeting adjourned at approximately 9:50am.

# ITEM 12

CITY OF SAN DIEGO

MEMORANDUM

DATE: May 5, 2009

TO: Independent Rate Oversight Committee

FROM: Water Department and Wastewater Department

SUBJECT: Issuance of an estimated \$324,200,000 of Public Facilities Financing Authority of the City of San Diego Water Revenue Bonds, Series 2009B

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**Requested Action:** Support the proposed bond issuance.

**Discussion:**

From FY 2005 to FY 2009, the City was not able to access the public bond market to access funds to support the capital improvement program due to a suspended credit rating and lack of current audited financial statements. However, as the City has worked diligently on becoming current with their audited financial statements, the City released audited financial statements through Fiscal Year 2008 and had their credit ratings reinstated. As such, a comprehensive financing plan for the Water System was presented to the City Council on October 27, 2008. The financing plan included the issuance of long term bonds via public offering in two series. In January 2009, the City re-entered the public bond market with the first series, the Water Revenue Bonds, Refunding Series 2009A (the "Series 2009A Bonds"). The Series 2009A Bonds refunded the short-term privately placed 2007A Notes (\$57 million). Additionally \$94.2 million of the 1998 Certificates were refunded, producing a 5.9% Net Present Value savings resulting in lower debt service. The second series, Water Revenue Bonds, Series 2009B (the "Series 2009B Bonds"), will include (i) the refunding of the outstanding short-term, privately placed 2008A Notes (\$150 million); (ii) \$150 million in new financing for the Water System capital improvement projects; and (iii) refund additional eligible maturities of the 1998 Certificates that provide at least 3% net present value savings.

**Financial Impact:**

Debt service for the Series 2009B Bonds is estimated at approximately \$22.1 million per year which will be paid from the previously approved four consecutive annual water rate increases that went into effect on July 1, 2007. No additional rate increases will be necessary to address the anticipated debt service related to the 2009B Series.